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USDOC FOR 532/OEA/ MCANNER  
USDOC FOR 3132 FOR FCS/OIO REGIONAL DIRECTOR PATRICK SANTILLO  
BICE FOR OFFICE OF STRATEGIC INVESTIGATIONS

SIPDIS

E.O. 12958: N/A

TAGS: BMGT BEXP HK ETRD ETTC

SUBJECT: EXTRANCHECK: POST SHIPMENT VERIFICATION: ON GRACE TECHNOLOGIES

REF: A) BIS e-mail request 01210068 dated September 9, 2009

¶1. Unauthorized disclosure of the information provided below is prohibited by Section 12C of the Export Administration Act.

¶2. As per reftel A request and at the direction of the Office of Enforcement Analysis (OEA) of the USDOC Bureau of Industry and Security (BIS), Export Control Officer Philip Ankel (ECO) attempted to conduct a post shipment verification (PSV) at On Grace Technologies, Limited, Rm 201, Hi-Tech Centre, 9 Choi Yuen Road, Hong Kong (On Grace). The items in question for this PSV are various electronic components exported to Secom Telecom (Hong Kong) Ltd., Unit 1701-2, Apec Plaza, 49 Hoi Yuen Road, Hong Kong (Secom) but destined for On Grace. The exporter has classified these items under Export Control Classification Number (ECCN) 3A001a2c. This ECCN is controlled for national security (NS) reasons and is eligible for shipment to Hong Kong license free but would, in virtually all circumstances, require a license for shipment to mainland China. The exporter is Actel of Mountain View, California.

¶3. Initial efforts to contact On Grace were unsuccessful. As a result, ECO elected to pursue a meeting with Secom. According to the Hong Kong Companies Registry, Secom has been in existence since 1997. It has the Hong Kong equivalent of USD 1250 in share capital. Mainland nationals Xiao, Qing and Zeng, Qiang (with G24813200 and G20968633 passport numbers) are listed as the company's directors.

¶4. Background research on the internet reveals that Secom markets itself as a distributor of electronic components and test and measurement instruments ([www.secomtel.com](http://www.secomtel.com)). The company web site lists an office in Hong Kong as well as multiple offices in various cities throughout mainland China.

¶5. On December 22, 2009, ECO and Commercial Assistant Carrie Chan visited the company and met with Mr. Ricky Ng, Administration Supervisor. Mr. Ng stated that Secom is a distributor of components and testing instruments. It is funded from mainland China. End users for its products are typically OEMs and ODMs but Secom also sells to other resellers. Mr. Ng stated that Secom avoids military grade products to avoid export control problems. He further noted that Secom requires end user statements from trading company customers to protect itself against its products being shipped to embargoed destinations. Mr. Ng stated that Secom applies for Hong Kong strategic trade licenses when required.

¶6. As to the specific transaction in question, Mr. Ng stated that the buyer was On Grace. On Grace was a regulator customer but Mr. Ng stated that he does not know what they do and that they are no longer a Secom customer. Mr. Ng noted that the transaction in question was an unusual one since it was a very high value and controlled item. Secom's Shenzhen office was responsible for the sale but as far as Mr. Ng knows, On Grace is a Hong Kong company. Mr. Ng stated that the salesperson responsible for the On Grace account had left the company. He also stated that Secom was unable

to find the documents for this order since the company had recently moved and some documents had been lost during that move (he noted also that the transaction was quite old - 2006). Later, Mr. Ng was also to provide (by e-mail) On Grace's end user statement stating that the items it procured from Secom would not be used for military or WMD purposes. ECO provided Mr. Ng with information about export controls including a BIS brochure on reexport controls as well as links to relevant provisions of the BIS web site.

¶17. FCS Commercial Assistant Carrie Chan attempted, on several occasions, to arrange a meeting with On Grace. On Grace representatives stated that the responsible person for this order is no longer with the company. In addition, the company no longer has any documentation on the order. ECO is continuing to attempt to schedule a meeting and will report any significant information obtained from On Grace by separate correspondence.

¶18. According to the Hong Kong Companies Registry, On Grace has been in existence since 2001. It has the equivalent of USD 1 in share capital. Hong Kong residents Kwan, Pak Chun and Pon, Chi Ying are listed as directors with corresponding HK ID #'s G122825 and D556430). Director Kwan, Pak Chun is also a director in the following companies: Aceco Electronics ([www.aceco.cn](http://www.aceco.cn)), Gobiz Electronics Limited ([www.gobiz.com.hk](http://www.gobiz.com.hk)), New Glory Industries Limited, Novacom Technology Limited, and Smartway Electronics (HK) Limited.

¶19. ECO recommends a close review of all shipments to Secom, On Grace and the other related companies referenced herein. While ECO cannot make a definitive determination on this point, ECO suspects that Secom did not obtain the required Hong Kong import license for this shipment. In addition, it is problematic that neither Secom nor On Grace were able to find documentation for this particular order nor were they able to provide any detail on the end user or

end use to which these items were put. In light of the apparent controlled nature of these items, ECO recommends that this EUC be considered unfavorable.